

BELLSOUTH

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November 14, 1996

EX PARTE OR LATE FILED

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554

RECEIVED

NOV 14 1996

Re: Ex Parte in CC Docket 96-149

Federal Communications Commission
Office of Secretary

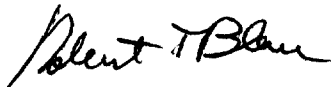
Dear Mr. Caton:

This is to inform you that on November 14, 1996, Bill Reddersen, Rex Adams, Krista Tillman, David Frolio, and Robert Blau, all representing BellSouth, and Gary Epstein, of Latham & Watkins, met with John Nakahata, Dan Gonzales, Jim Coltharp, and James Casserly, all of the Federal Communications Commission regarding the above-referenced proceeding.

The purpose of the meeting was to discuss issues relating to joint marketing in local and long distance services. The attached charts and slides were discussed during this meeting. The discussion was consistent with BellSouth's position already filed in this proceeding.

Pursuant to Section 1.1206(a)(2) of the Commission's rules, two copies of this notice are being filed with the FCC. Please associate this notification with the above-referenced proceeding.

Sincerely,



Robert T. Blau

Attachment

cc: John Nakahata
Dan Gonzales
James Casserly
Jim Coltharp

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Interrelated Regulatory Rulings Must Support Open Competition

Legislation



Product and marketing parity

- Section 272 (g): Provides ability for Telcos to joint market local and Long Distance
- Section 271 (e): Restricts IXC's from reselling local service until Telcos get relief



*Interconnection
Order*



Tilted In Favor of CLECs



*Joint Marketing
NPRM*



**Raises potential of removing
marketing, sales & service parity**



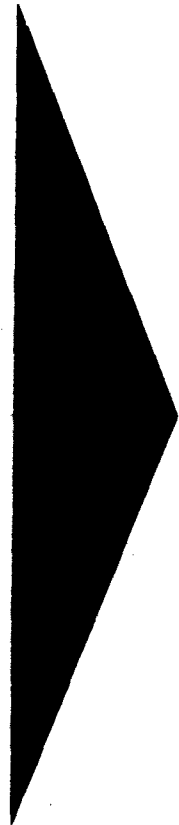
C.P.N.I. NPRM



Potentially imbalanced competition

Our Customers Tell Us They Want:

- Value
- Simplicity
- Convenience
- Choice
- Reliability



- Easy to understand plans
- Single bill / single contact
- Packages of services
- Competitive prices & discounts
- Quality services & support

No Longer Independent Product Game

Joint Marketing Processes

CUSTOMER

Customer Inquiry

- Billing inquiries
- Service questions
- Additional service requests

Billing

- Integrated billing
- Customer inquiry support

Sales & Ordering

- Retail agents & stores
- Inbound & outbound
- Premise sales

Advertising & Promotions

- Targeted mailing & promotions
- Customized marketing
- Mass advertising

Service Development

- Stand-alone products
- Multi-product offers
- Loyalty programs
- Competitively differentiated offers

Market Analysis, Segmentation & Planning

- Needs based segmentation
- Market research
- Competitive analysis

Competitors Already Positioning In Market

➤ **AT&T.ALL**

- » One number to call
- » One bill to pay
- » All services:
 - long distance
 - local
 - internet
 - wireless

➤ **BT/MCI ONE**

- » One number to call
- » One bill to pay
- » All services:
 - local, long distance
 - internet
 - wireless (cellular, paging)
 - voicemail
 - E-mail

54% of BellSouth customers would likely choose AT&T as sole source,
11% MCI or Sprint and only 18% BellSouth

BellSouth's Joint Marketing Position

The FCC rules must allow for:

- Competitive parity as markets open (already imbalanced)
- Sales and customer support with a single bill and single contact
- Joint advertising and use of brand
- Joint development of marketing plans without affiliate restrictions
- Sharing of released customer information across affiliates

FCC's Local Interconnection Order Will Give CLECs a Major Competitive Advantage

Georgia Multi-line Business Average Flat Rate Customer for Highest Rate Group

	Retail	Resale @17.3%	Rebundled
Flat Rate RG 12	\$46.00	\$38.04	\$14.22(loop)
Ancillary Service	\$25.30	\$20.92	\$0.00
Vertical Service	\$5.05	\$ 4.18	\$0.00
IntraLATA Toll	\$2.99	\$ 2.47	\$0.92
InterLATA Switched Access	\$11.34	\$11.34	\$2.09
Port Charge			\$2.00
Local Usage			\$2.90
SLC	\$6.00	\$6.00	\$0.00
Total	\$96.68	\$82.95	\$22.13
<i>Difference from Retail</i>			
<i>Amount</i>		(\$13.73)	(\$74.55)
<i>Percent</i>		-14.2%	-77.1%

Notes: 1). Average revenue for vertical service and intraLATA toll computed from July 1996 data. 2). Unbundled elements use FCC proxy rates and GPSC loop price. Local Switching @ \$0.003. 3). Resale discount rate is GPSC rate for BellSouth. 4). Rates reflect the following minutes of use: IntraLATA Toll - 25 minutes; InterLATA switched access - 465 minutes; and Local Usage - 492 minutes.

Resale vs. Rebundled Discounts In BellSouth Region

	Multi-line Business		Residence	
	Resale	Rebundled	Resale	Rebundled
Alabama	-14.9%	-68.9%	-13.2%	-21.6%
Florida	-14.0%	-66.2%	-10.6%	-24.5%
Georgia	-15.8%	-75.1%	-12.7%	-27.0%
Kentucky	-14.9%	-72.0%	-13.2%	-19.0%
Louisiana	-15.0%	-69.0%	-12.5%	-14.9%
Mississippi	-15.7%	-70.1%	-13.9%	-14.4%
North Carolina	-14.3%	-67.0%	-11.3%	-11.1%
South Carolina	-14.6%	-70.2%	-13.1%	-22.8%
Tennessee	-15.7%	-73.5%	-12.9%	-16.9%
BST	-14.7%	-69.6%	-12.1%	-20.8%

Notes:

- 1). Resale discount computed using FCC proxy of 19.2%
- 2). Rebundled discounts computed using FCC proxy rates and local switching @\$0.003/min.
- 3). BST discounts wtd. by 1 pty flat rate lines in service.

LEGISLATIVE HISTORY OF THE JOINT MARKETING PROVISIONS IN
THE TELECOM ACT

The Telecom Act recognized the importance of joint marketing, and attempted to ensure parity between the BOCs and the largest IXC's in their ability to offer consumers "one stop shopping." This approach is embodied in Sections 271(e)(1) and 272(g)(2) and (g)(3) of the Act. Once a BOC has received the authority under Section 271 to provide in-region interLATA services, Sections 272(g)(1) and (g)(2) would permit both the BOCs and their interLATA affiliates to jointly market each other's services. Section 271(e)(1) allows the major long-distance companies to jointly market resold local exchange service with their interLATA service once the BOCs have been authorized to enter the interLATA business. It is thus clear from the language and structure of the Act that Congress intended to give the BOCs and IXC's freedom to engage in joint marketing of local and long distance service at the same time.

The legislative history of the Act supports this proposition. The current joint marketing provisions in Section 272(g) of the Act were based in large part on Section 252(d) of S. 652 as reported by the Senate Commerce Committee. As shown below, the language of the Committee Report is very similar to the language that was ultimately included in the Act.

S. 652 3/27/95 Senate Commerce Committee Report	Section 272(g) Telecommunications Act of 1996
"(d) JOINT MARKETING. -- "(1) A Bell operating company subsidiary required by this section may not market or sell telephone exchange services provided by the Bell operating company unless that company permits other entities offering the same or similar service to market and sell its telephone exchange services.	"(g) JOINT MARKETING. -- "(1) AFFILIATE SALES OF TELEPHONE EXCHANGE SERVICES. -- A Bell operating company affiliate required by this section may not market or sell telephone exchange services provided by the Bell operating company unless that company permits other entities offering the same or similar service to market and sell its telephone exchange services.
"(2) A Bell operating company may not market or sell any service provided by a subsidiary required by this section until that company has been authorized to provide interLATA services under section 255.	"(2) BELL OPERATING COMPANY SALES OF AFFILIATE SERVICES. -- A Bell operating company may not market or sell interLATA service provided by an affiliate required by this section within any of its in-region States until such company is authorized to provide interLATA services in such State under section 271(d).
"(3) The joint marketing and sale of services permitted under this subsection shall not be considered to violate the nondiscrimination provisions of subsection (c).	"(3) RULE OF CONSTRUCTION. -- The joint marketing and sale of services permitted under this subsection shall not be considered to violate the nondiscrimination provisions of subsection (c)."

As can be readily observed from the comparison above, the difference between the Committee reported bill and the final Act are conforming only and not substantive. Under these circumstances the Senate's Committee Report concerning these provisions is particularly relevant, and it states as follows:

The Committee believes that the ability to bundle telecommunications, information, and cable services into a single package to create **"one-stop-shopping"** will be a significant competitive marketing tool. As a result, **and to provide for parity among competing industry sectors**, the Committee has included restrictions on joint marketing certain services both in section 252(d) and in new section 255(b)(3). Under subsection 252(d) of this section the Bell operating company entity that provides telephone exchange service may not jointly market the services required to be provided through a separate subsidiary with telephone exchange service in an area until that company is authorized to provide interLATA service under new section 255. **In addition, a separate subsidiary required under the section may not jointly market its services with the telephone exchange service provided by its affiliated Bell operating company entity unless such entity allows other unaffiliated entities that offer the same or similar services to those that are offered by the separate subsidiary to also market its telephone exchange services.** In section 255(b)(3) telecommunications carriers are not permitted to jointly market interexchange service with local exchange service purchased from the Bell operating company in any area in which that company is not authorized to provide interLATA services. (Emphasis added.)

The Committee thus, with its Joint Marketing provisions in Sections 252 (dealing with BOCs) and joint marketing provisions in Section 255 (dealing with IXC's) was clearly attempting to achieve "parity" among competitors.